



Community & Gender Aspects of a Proposed Candlenut Oil Processing Facility in Timor-Leste

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Acronyms and Abbreviations

ANZ	Australian and New Zealand bank
ASE	Agriculture Small Enterprise
BNU	Portuguese bank
CRS	Catholic Relief Services
GDA	Global Development Alliance
GDI	Gender Development Index
GIS	Geographic Information System
HDI	Human Development Index
HPI	Human Poverty Index
MF	Micro finance
NGO	Non Governmental Organization
NTFP	Non-timber forest products
PRA	Participatory Rural Appraisal
UN	United Nations

Interim Report on the Community and Gender Aspects of the Proposed Candlenut Oil Processing Facility in Timor-Leste¹

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This paper is an interim report containing a summary of the community and gender situations and their implications for a proposed candlenut oil processing project to be developed as a public/private partnership in Timor-Leste. These items may be revised based on analysis and findings contained in the final feasibility study.

I. Background

A. General overview of Timor-Leste and implications for the candlenut crude oil processing project²

Despite making great strides since 2000, Timor-Leste is one of the poorest countries in the world with a human development index (HDI) of 0.421, gender development index (GDI) of 0.347 and human poverty index (HPI) of 49.³ The GDI, which is 12% lower than the HDI, indicates a significant difference in earning power, standard of living, life expectancy and overall status between women and men. In comparison to 90 countries surveyed by the United Nations (UN), these statistics place Timor-Leste in the 81st position.

Seventy-six percent of the population lives in rural areas where the majority of households engage in subsistence agriculture. Low productivity coupled with market failures has resulted in low food security with many households having sufficient food for only nine or ten months annually. *Candlenut harvesting plays an important role in supplementing the household economy and providing a source of cash income. This situation is particularly true in the districts of Baucau and Viqueque but may also apply to other areas. The trees are also important because of their ability to help stem deforestation and erosion on the rugged hillsides.*

There are currently three commercial banks operating in Timor-Leste: BNU from Portugal, ANZ from Australia and New Zealand and Madiri from Indonesia. These banks provide limited banking services, however, especially in the rural areas. The regulatory framework for banks, like most other legal and regulatory frameworks, is still unclear. In particular, Timor-Leste still needs to establish clear and transparent legal frameworks for foreign investment, tax codes and business, cooperative and other institutional structures. They also need to clarify issues concerning property rights and

¹ This paper focuses on topics that have direct implications for the candlenut crude oil processing enterprise and community benefits to be derived from the enterprise. The implications are highlighted in italics.

² We have used the most commonly cited data since there seem to be a number of conflicting reports with different data.

³ UNDP. *East Timor Human Development Program 2002: Ukun Rasik A'an (The Way Ahead)* (2002).

land tenure and dispute resolution processes. The lack of legal clarity in almost all areas has critical implications for establishing and operating the candlenut crude oil processing enterprise especially concerning its legal structure, tax situation and foreign investment.⁴

Even though there are numerous land disputes in rural areas, traditional boundary lines concerning community property and especially community forests in rural areas, are fairly well proscribed in certain districts with the *lirais* (traditional village chiefs) playing a major role in determining traditional community forest boundaries. In locations where the *lirais* are more active, they also oversee the traditional *tarabanda* system which determines when community members can collect non-timber forest products (NTFPs) including candlenuts from community forests and property. The *lirais*, along with village elders, also make decisions concerning sacred community forests which are not available for candlenut or other NTFP collection. Candlenut trees do exist on private lands with some having been intentionally planted as a revenue-generating crop. The *lirais* do not normally become involved with collection or production on private lands unless there is a dispute. *Depending on the community, it is important for the proposed project to consider including the lirais in the project design and implementation stages.*

It is difficult to determine the exact amounts of candlenuts collected from community forests and private lands in Timor-Leste at this time but discussions with community members seem to emphasize that the majority of collection comes from community not privately held lands. They also state that there are two types of candlenuts, the buffalo or larger nut and the smaller nut. Input is still needed from foresters as to whether there are indeed two different species or whether the difference just results from soil and environmental variations. Community members mentioned that there is no difference in price between the two nuts. It is clear that a survey needs to be conducted of candlenut stands in Timor-Leste and, in particular, the number and location of candlenut trees in the proposed project sites.

According to Dr. J.B. Friday, a University of Hawaii extension forester, the survey can be done by either aerial sighting or by running a transect through the community forests that matches with Geographic Information System (GIS) data. University of Hawaii foresters working with Timor-Leste forestry extension staff could conduct such a survey.

Even though candlenut trees are not difficult to grow and are actually considered fast growing trees, they take on average 5 years to produce a good crop of candlenuts. However, the present low prices for candlenuts discourage individuals from investing in plantations on private plots. The current pricing structure and supplementary nature of candlenut collection also means that few issues have arisen concerning the amount of

⁴ For instance, if the oil processing enterprise is established as a private enterprise, can informal farmers' and women's associations take an equity position? It is still unclear whether an official cooperative law has passed parliament and, if so, what would be the implications for the oil processing enterprise and the participating communities.

candlenuts that each household can collect from community lands. For now, there seems to be an excess availability of nuts in Timor-Leste. However, once candlenuts are perceived to be a valuable crop with market demand, a system will need to be established to assign household collection levels for participant families. Such a system is essential to ensure equity among the households since otherwise larger more affluent farmers could monopolize the collection by hiring labors to collect candlenuts from both community forests and private plantations. There is also some concern that due to the increased value of the crop, many more than the targeted 450 households may want to participate in the project. Restricting participation to only certain designated households could be problematic and lead to conflict within communities. Finally, once candlenuts are perceived to be a valuable crop, government officials may reconsider issues concerning community forests, local property rights and access to community forest resources.

In addition to the kernels, there is an ongoing discussion among development agencies concerning using candlenut shells as a source of charcoal to meet household energy needs. In either case, whether it is the kernel or the shell, collection of candlenuts, unlike some other NTFPs, doesn't harm the natural resource base of the candlenut trees.

The devastation of Timor-Leste's economic infrastructure was matched by the decimation of its human resources including social infrastructure and associational networks. Timor-Leste lost many skilled people during the conflict and despite the return of some key people, it is still a challenge to hire and maintain qualified, skilled personnel especially in middle- and top-level management positions. This situation is exacerbated by the habit of dependency resulting from years of handouts and subsidies from the Indonesian government. The dependency mentality still continues and directly impacts on the willingness of local organizations and individuals to assume responsibility for leadership roles in locally-defined development programs. In addition, according to recent interviews, there seems to be a hesitancy to oversee or manage others since for the past 25 years many have considered themselves "comrades in arms" and equals.

Despite the recent explosion in the growth of local Non Governmental Organizations (NGOs) of which there are approximately more than 400, the intentions of many of these groups varies and their capacity is extremely weak. Targeted investment in human resource development including training is thus critical both within the private and government sectors and within the local NGO and community development sectors including community-based self-help farmers' and women's organizations. However the social mechanisms that facilitate trust between people are difficult and time consuming to reconstruct and have implications for organizing and strengthening community-based organizations critical to the proposed project. These organizations are necessary for:

- facilitating effective and equitable participation by community members, especially women, in the candlenut project;
- negotiating with the hierarchy of candlenut buyers if the project decides to utilize this system;

- promoting efficient harvesting, shelling and delivery of candlenut kernels to the oil processing facility; and,
- ensuring communities receive value-added benefits from the oil processing business by establishing transparent oversight of the crude oil processing enterprise.

B. An overview of gender issues

At present, Timor-Leste lacks a number of gender-disaggregated social statistics typically used in gender analysis. A review of existing studies, however, including USAID's August 2004 gender assessment⁵, points to the following situation:

- Domestic violence against women represents almost 50 percent of the cases reported to legal agencies. Some feel that the level of violence is related to both the pattern of overall violence during the last 25 years and to the traditional bride-price custom called *barlaque* whereby the prospective husband's family pays a negotiated price for the bride. This situation may lead some men to believe that their wife is their property and that they have the authority to determine how she should be treated.
- Despite the existence of matrilineal communities in some tribal areas, most communities are organized according to patrilineal lines and the gender division of labor is generally quite rigid.
- Except for some matrilineal communities, women do not yet have the right to inherit land.
- Women face higher levels of illiteracy with 49 percent of men and 64 percent of women being illiterate.

The levels of illiteracy accompanied by low numeracy levels have direct implications for the proposed project since these skills would assist women to negotiate with candlenut buyers and oversee the professional management of an oil processing facility through independently reviewing reports, contracts, documentation and financial statements.

Even though men and women have clearly defined roles in the farming cycle, women have a large number of additional activities related to both productive and household or reproductive activities. While women are engaged in a myriad of tasks, men freely admit that after they have completed their agricultural activities, they often spend a great deal of time gambling on cockfights, drinking, smoking and resting.

The lack of time and rigidly defined roles mean that women usually do not participate in training programs. If they are able to attend training programs or village meetings, they generally do not participate equally with men who tend to dominate discussions, leadership roles and decision-making. In separate groups, however, women are more

⁵ DevTech Systems, Inc. *Gender Assessment for USAID/Timor-Leste Country Strategy Plan FY 2004-2009*. (August 2004). Washington, DC.

outspoken and enthusiastic about assuming new roles including leadership positions. This situation, of course, directly impacts on how community groups are organized and their interaction with the proposed management of the candlenut facility.

Even though men and women follow their traditionally prescribed roles both in the private and public spheres, surveys indicate that there may be more flexibility concerning these roles than previously thought. For instance, in at least one major survey, at least 29 percent of women⁶ earned cash income from marketing vegetables and other home industry products and running small kiosks or stalls for selling a variety of goods. This situation could positively affect the oil processing enterprise since this data along with direct interviews with potential project participants indicates a level of engagement for at least some women in commercial activities and public markets. It is important to note, however, that small enterprise management skills are still very rudimentary among both men and women. Extensive training and support interventions would thus be required to increase the ability of women to be full partners in the candlenut oil processing project and independently advocate for their share of benefits.

II. Situation Analysis

A. Candlenut trees, kernels and oil

Note: This section will be discussed in much greater detail in the feasibility study. The following contains information gathered from community discussions and a brief review of documents.

Much of the harvest of candlenuts in the proposed project sites comes from trees located within community forests.

Candlenut is an important cash crop but extremely labor intensive due to the hand-shelling of the nuts and lack of efficient manual hand crackers. Women are primarily responsible for the collection and shelling activities but on occasion men and children may also participate since it is considered a household activity.

People are hesitant to engage in candlenut harvesting and shelling if the price is less than 25-30 cents per kilo of kernels. Interviews from September 2003 indicate that farmers (including women farmers) were able to sell kernels to sub-buyers for 50 cents per kilo but this figure seems questionable based on the results of recent interviews.

There is a hierarchical system of sub-buyers, buyer and traders. The sub-buyers may even be very small farmers who directly buy the shelled kernels at the village level and sell to local or district-level buyers. Recent interviews with sub-buyers in Venilale sub-

⁶ Asian Development Bank. *East Timor Rapid Assessment of Economic and Social Conditions* (June 2000).

district in Baucau revealed that the sub-buyers paid 25 cents per kilo of kernels to the harvesters/shellers and sold them to the mid-level buyers for 30 cents. They provided immediate cash payment to the farmers but were not paid until the buyers received payment from the Dili-based traders. These traders, for the most part, did not pay the buyers until they received payment from the large traders in West Timor or other parts of Indonesia. The Indonesian traders say that there is a large local demand for candlenut kernels, which are used as a food staple. However, prices seem to be controlled by a cartel of Indonesian traders.

There seem to be some instances where farmers sell the nuts without shelling them but the price of 10 cents per kilo is often not worth the effort of collection.

Additional information to be included in the feasibility study by the Team Leader:

- results from survey of candlenut trees
- value-added chain for candlenuts in Timor-Leste
- details concerning collection, drying, shelling and storage
- details concerning Indonesian farmers, buyers and traders
- details concerning current market

B. General characteristics of project area⁷ and implications

General characteristics of Baucau and Viqueque Districts, two of the possible project sites, are as follows:

According to interviews with residents, local leaders and peacekeeping forces in 2002, Baucau's and Viqueque's peace and security situations are stable. The positive security situation is reflected in the fact that both Baucau and Viqueque have relatively active markets at both the district and sub-district levels and have seen an increase in commercial activity during the last few years. Baucau also has a BNU bank branch which provides savings but not credit services. The recent growth of the BNU branch indicates an increased trust in the financial system, the need for financial services including a safe place to save, and, perhaps, an increase in the amount of money circulating in the area. At present, however, most credit needs are fulfilled from either family sources or by moneylenders who charge 10 percent to 20 percent on extremely short-term loans.

Baucau with a population of approximately 101,517 and Viqueque with a population of approximately 62,704 have the second and seventh highest populations of East Timor's

⁷ Due to time limitations, PRAs, surveys and focus group discussions were conducted using small samples representative of target clients and other stakeholders. Further analysis of target villages, however, should be conducted since villages can be quite distinct from one another.

13 districts.⁸ Roads within Baucau District's 7 sub-districts and Viqueque's 5 sub-districts are generally passable. However, in rainy season the narrow roads and extremely hilly topography can limit the mobility of people and, in particular, women. *Limited mobility has implications for collection and shipping sites for candlenut kernels and for training and meetings necessary to strengthening farmer and women's organizations engaged in the candlenut oil processing project.* Furthermore, the poor health standards and malnutrition in the two districts⁹ increase the project participants' vulnerability to internal shocks such as illness within the household and expenditure of extremely limited household resources to address household crises that result from sickness. *The poor level of health and women's direct responsibility for childcare will impact upon their ability to attend meetings and travel outside their villages.*

Participants at the recent meetings belong to households which on average own a half hectare to three hectares of land and engage in subsistence agriculture. Much of this land is rocky and due to technology and production constraints has limited yields. The crops are either rain fed or rely on traditional irrigation systems. During rainy season the households plant rice, maize, taro, cassava, groundnuts, pumpkins, string beans and cucumber. In dry season they primarily plant maize, onions and cabbage.

The main crops are not normally sold in the markets and almost all villages experience food scarcity, some for only one or two months a year and others for longer periods of time. The two sample villages of Bercoli in Venilale sub-district and Uatulari in Vemasse sub-district usually have one to two months of food scarcity depending on the amount of rainfall. There are some small home industries such as coconut oil processing, vegetable production, mat making, weaving and sewing that provide products for sale in the local market. Women often oversee these activities even though there is a low level of knowledge among both women and men concerning marketing and small business skills.

As in other parts of East Timor, except for those groups promoted by CRS, there are few community-based farmers' or women's associations and an extremely low level of organizational management skills. *This has implications for the proposed project in terms of required skills for joint planning, advocacy and/or negotiations with other equity partners in the oil processing enterprise, constructive conflict resolution, group leadership and management and distribution of jointly held funds or income.*

CRS works in both Baucau and Viqueque districts with its agriculture small enterprise (ASE) program and its women's micro finance (MF) program. In Baucau the ASE program works in four sub-districts with five groups consisting of 53 members of whom

⁸ East Timor Suco Report, 2001

⁹ According to a UNDP 2002 report, health standards in East Timor are very low with an overall life expectancy of 57.4 years, infant mortality rates of 50.3 per 1,000 live births and under five mortality of 143.5 per 100,000 live births.

45 are women. The MF program in Baucau works in five sub-districts with 108 borrower groups and 515 active women members.

As part of the ASE program, CRS has distributed hand tractors, rice mills and rice threshers to the men and maize mills and coconut shredders to the women. They have also enabled women visit other ASE groups in a neighboring sub-district three hours from their village.

CRS' micro-finance partner agency is Tuba Rai Metin, a local NGO that oversees the micro-finance program. They focus on solidarity group lending to women clients engaged in trading and selling. As of October 2004, it had 1,473 active members, belonging to 277 borrower groups in Dili, Baucau and Viqueque.

C. Gender issues and implications¹⁰

As part of their agricultural responsibilities, women sow seeds, transplant, weed, guard the fields against animals, harvest, thresh, mill, transport and sell in the local market if there are sufficient crops. Men prepare the land and share the sowing, transplanting, weeding, guarding, harvesting and transporting activities with women. They also oversee crop storage and some of the marketing activities and produce palm wine. In addition to their agricultural activities, women raise pigs, chickens, fish and livestock for both consumption and sale, collect and sell coconuts, bananas and candlenuts and produce and sell cotton bedspreads and table cloths which have a crochet-like border. A few also weave traditional cloth called *tice* but, unfortunately, this doesn't seem to be very common because of both time constraints and lack of market demand

Women directly sell their products in the local village or sub-district markets and both men and women agree that they have control over the cash income from products that they produce and sell. This situation may not be the norm, however, and may result from training and discussions provided by CRS or from these communities being less reliant on traditional gender relationships.

In addition to attending local markets, women in Uatalari also go to the nearby health clinic and church. Women thus have some mobility even though it is essentially within their sub-district.

Women also perform numerous household activities including washing and repairing clothes, cleaning the house, collecting water and firewood, preparing food, and caring for children. Depending on the season, their average day is usually at least 14 hours with a minimum of half this time spent on agriculture or other productive activities. It is interesting to note that both the women and men in Uatalari mentioned that at least once a

¹⁰ The following information is based on data collected in December 2004 during PRA exercises (primarily seasonal and daily calendars) and focus group discussions with AME and MF groups in Uatalari village in Vemasse sub-district and Bercoli village in Venilale sub-district. Both areas are in Baucau. 14 women and 12 men participated in the meetings.

week they spend time arguing about *barlaque* or bride price problems. This seems to hint at other issues that may relate to domestic violence, but this situation is still unclear.

There seems to be a difference in household income between members of the ASE and MF groups. The ASE members primarily belong to subsistence households that have monthly cash incomes of approximately \$30 from sale of agricultural, livestock, NTFPs and other products. The women engaged in MF activities also belong to subsistence households but in addition run small kiosks or engage in trading activities in the market. They normally have additional income which including the regular sale of agricultural, livestock or other products amounts to approximately \$60 a month. The women mentioned that they have decision making power concerning this income and any other income that they directly earn.

Approximately 33 percent of the women participants are widows and 83% of the women participants from Uatulari village and 75 percent of the women participants from Bercoli village are illiterate. Fifty percent of the men participants from these communities are illiterate and numeracy levels for both men and women are extremely low. If literacy and numeracy skills are required, women usually need to depend on men to assist them in understanding documents and financial forms. However, they do send their children to primary school but can't afford to have them attend beyond the lower level.

According to both men and women, men own the land and women have no inheritance rights. If a husband dies then the land is transferred to a male member of the family.

D. Gender issues and candlenuts

Candlenuts are normally collected and shelled during the dry season. Most of this activity occurs during October and November even though in some areas it might begin as early as May. The *tarabanda* system exists in Uatulari and the *lirai* determines when and who can collect the candlenuts and other products from the community forests. No such system exists in Bercoli.

In both Uatulari and Bercoli the candlenut nut trees are primarily found in the community forests located about one hour walking from the villages. A limited number of trees are planted on private property; however, in Bercoli there are one or two farmers that have a large number of trees. One farmer stated that he has approximately 1000 trees planted on seven hectares of land and annually harvests approximately one ton of kernels. He mentioned that it takes at least a month for his wife to shell the nuts. Such large private plantations, however, do not seem to be the norm.

Depending on their other obligations, women will collect nuts that have fallen on the ground three times a week. After collection, the nuts are sometimes sun-dried or shelled directly using a rudimentary grass-like frond to wrap around the nut and bang it against a rock. Once the shell is cracked, the women use a knife to scrape out the kernel. Depending on the drying process, the nut may be easier to crack and not require a knife to loosen the kernel. *It should be emphasized that this is an incredibly primitive process*

which could easily be made more efficient and entail less drudgery by introducing simple, manual shelling technology. It takes about two days for one or two people to shell approximately 50 kilos of kernels.

The women sell the kernels at 25 cents to 30 cents per kilo to a sub-buyer who either comes to the local market or directly to individual households. Discussions with sub-buyers in Bercoli confirmed this price. In certain instances, some sub-buyers will pay up to 50 cents per kilo but it is unclear whether they are actually sub-buyers or buyers that have circumvented the sub-buyers and their margins. The higher price, however, doesn't seem to be the norm, at least in these areas, and may primarily occur when there is insufficient supply to meet the demand. Depending on the year and the price, the average household sells between 50 kilos to 250 kilos of kernels which at 30 cents per kilo amounts to \$15 to \$75. This can be a significant amount of cash to poor households, especially where cash is needed to cover food shortfalls.

Women stated that they collected the money from the candlenut sales and decided how it was spent. They, along with the men, agreed that "if men kept the money then it would be used for cigarettes and alcohol." They also mentioned that "we work a lot, we go to the fields and come home and still work but they (men) just rest."

E. Summary of relevant gender issues and implications

Much of the data that resulted from the Participatory Rural Appraisal (PRA) and focus group discussions is similar to profiles concerning women in Timor-Leste. However, even though it is likely that men in both communities dominate the gender power relationships both within the household and community, the recent meetings indicate that there may be some space or opportunity to address these issues. The women participants were engaged, outspoken, enthusiastic and not afraid to contradict the male participants who often tried to dominate the discussions. Even though it is possible that the participants were not representative of the village women but representative of a small, self-selected group, the meetings did reveal that there is now a history of women who are interested in joining development programs that provide clear benefits to them and their families.

- Women do not own the land or candlenut trees in the proposed project areas. However, they do seem to have both access to the land and decision making power concerning cash incomes from the candlenuts. If income from the candlenut trees increases substantially, however, there may be a challenge from the men concerning women's control of these funds. It is critical for the project to provide interventions to both women and men to address these power relationships and to ensure that women maintain control of the income resulting from their labor.
- It is also possible that unless appropriate safeguards are established, exploitative relationships could occur within communities with larger farmers and households selling the majority of kernels to the oil processing facility. In addition, given the

history of mistrust and animosity, problems could arise if the project does not include the *lirais* and the buyers in the project.

- The women participate in market activities within their sub-districts. In addition, more than 600 women in Baucau and Viqueque are managing micro enterprises and receiving credit and micro enterprise training as part of the CRS-promoted micro finance program. However, women do not have access to formal sources of credit which are still extremely limited in Timor-Leste or formal savings accounts since the only bank branches are located in the district headquarters.
- In general, the women are not yet at the stage where they feel confident in negotiating with large urban traders. It is important for the proposed project to emphasize systematic strengthening of women's associations to advocate for their members and provide an efficient vehicle for training.
- It is possible for some women to work directly in the facility operating oil extraction equipment. However, the facility will only have a small number (10?) of employees. A greater impact would be achieved by establishing an enterprise structure or mechanisms that enable women to benefit from the value-added process and technology that reduces the drudgery and time requirements associated with the shelling process.

III. Discussion of proposed candlenut crude oil processing facility

Despite the myriad of legal, structural and tax issues associated with the proposed project, the more straight forward feature will probably be the establishment and operation of a commercially viable candlenut crude oil processing facility in Timor-Leste. This, of course, depends on issues concerning economies of scale and final markets for the refined oil being resolved. The more challenging component might entail strengthening social organizing mechanisms to protect community participants, especially women, through ensuring that business growth is balanced with the equitable distribution of benefits particularly the value-added benefits from the candlenut oil processing facility.

A concern has been raised that the issue of child labor be properly understood since it is mainly the women who engage in candlenut collection and shelling. Young children, if available, do accompany their mothers during the collection process but it does not seem to fall into the category of forced child labor as found in certain industries such as rug making or shoe production in other countries.

The structure and ownership of the crude oil processing enterprise as well as relationships between communities, traders and enterprise will be extremely important if communities are to benefit from the value-added stage. It's also important to consider involving some of the buyers and traders in the company, perhaps through an equity position, since they have the knowledge and systems in place to link with rural communities. In addition, considering the history of mistrust in East Timor, it is important not to antagonize important players in the community and in the candlenut trading system. Ideally it might be best to bring them in as

partners and stakeholders as long as the project has mechanisms in place to ensure that exploitative pricing does not occur.